

**Verizon Communications Inc.
Separate Advanced Services
Affiliate Requirements**

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

October 1, 2004

**Verizon Communications Inc.
Agreed-Upon Procedures Regarding Compliance
With the Separate Advanced Services Affiliate Requirements
For the Period from January 1, 2004 to June 30, 2004**

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Management of Verizon Communications Inc. and
the Federal Communications Commission:

We have performed the procedures listed in Appendix A, which were agreed to by the management of Verizon Communications Inc. ("Verizon") and the Federal Communications Commission ("FCC") (collectively, the "Specified Parties") solely to assist you in evaluating management's assertion that Verizon complied with the separate advanced services affiliate requirements of Paragraph 12, Section I (the "Separate Advanced Services Affiliate Requirements") of the FCC's Memorandum Opinion and Order in Common Carrier Docket No. 98-184¹ approving the Bell Atlantic/GTE Merger (the "Merger Conditions") during the period from January 1, 2004 through June 30, 2004. Verizon is responsible for compliance with the Separate Advanced Services Affiliate Requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Specified Parties. Consequently, we make no representation regarding the sufficiency of the procedures listed in Appendix A, either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the related findings are documented in Appendix A. For the purposes of this agreed-upon procedures engagement, certain terms are defined in Appendix B. The procedures and the results of performing such procedures are not intended to be an interpretation of any legal or regulatory requirements.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on Verizon's compliance with the Separate Advanced Services Affiliate Requirements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

¹ Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License, CC Docket No. 98-184, Memorandum Opinion and Order, 15 FCC Rcd 14032, 14143 (2000).

This report is intended solely for the information and use of the Specified Parties in relation to the Separate Advanced Services Affiliate Requirements and is not intended to and should not be used by anyone other than these Specified Parties. However, this report is a matter of public record and its distribution is not limited.

Mitchell : Titus, LLP

New York, New York
October 1, 2004

Appendix A

**Verizon Communications Inc.
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1. We inquired of Verizon management about the procedures used by the ILECs and the Corporate Compliance Officer to identify, track, respond, and take corrective action on any complaints relating to alleged noncompliance with the Separate Advanced Services Affiliates Requirements.

Verizon management indicated that complaints sent by competitors to the FCC and Verizon's Agent of Service are received through facsimile, e-mail or overnight mail. Once a complaint is received, a copy is forwarded to Verizon's legal department and a designated regulatory complaint organization. After Verizon's legal department has performed the review, Verizon files a response with the FCC in accordance with the FCC's rules. If there is a valid complaint of noncompliance with the Separate Advanced Services Affiliates Requirements, the controls implemented by the ILECs and the Corporate Compliance Officer to identify, track, respond, and take corrective action on those complaints are documented in the Merger Compliance Status Database. This database incorporates tasks that need to be completed to comply with various Merger Conditions, including the Separate Advanced Services Affiliate Requirements. Based upon the database, a Merger Compliance Status Report is prepared and presented monthly to the Corporate Compliance Officer.

We requested from Verizon management a list of FCC formal complaints, as defined in 47 CFR 1.720, informal complaints, as defined in 47 CFR 1.716, and written complaints to a state regulatory commission from competitors, involving alleged noncompliance with the Separate Advanced Services Affiliate Requirements.

Verizon management indicated that there have been no FCC formal or informal complaints, nor written complaints, made to a state regulatory commission from competitors (including complaints related to the provision or procurement of goods, services, facilities, and information, or in connection with the establishment of standards), involving alleged noncompliance with the Separate Advanced Services Affiliate Requirements filed since the Merger Closing Date, that were open as of December 31, 2003, or any new complaints filed from January 1, 2004 through June 30, 2004.

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2. We inquired of Verizon management those states in which Bell Atlantic/GTE has ceased offering a 25 percent discount from the recurring and nonrecurring charges for unbundled loops used in the provision of Advanced Services during the period from January 1, 2004 through June 30, 2004.

Verizon management indicated that all of the Bell Atlantic/GTE states ceased offering a 25 percent discount on recurring and nonrecurring charges for unbundled loops used in the provision of Advanced Services prior to 2004, when New Jersey was the last state in which Verizon offered the discount and that offer ended on March 15, 2003.

3. We obtained and inspected the ILECs' and the Separate Data Affiliate's organizational charts as of June 30, 2004. We requested a written confirmation from the legal representatives of the ILECs and the Separate Data Affiliates of the legal, reporting, and operating corporate structures of the Separate Data Affiliates and the separate Advanced Services office/division, the ownership of the Separate Data Affiliates and the entities to which the Separate Data Affiliates and the separate Advanced Services office/division report.

We obtained written confirmation from Verizon's legal representative that Verizon Advanced Data Inc. ("VADI") is a Delaware corporation. VADI has one share of common stock issued and outstanding, which is owned by Verizon Ventures III Inc., a Delaware corporation. Verizon Advanced Data – Virginia Inc. ("VADI-VA") is a Virginia corporation. VADI-VA has one share of common stock issued and outstanding, which is owned by VADI. Management indicated that VADI and VADI-VA report to the management of Verizon Services Group ("VSG"), which reports to the management of Verizon.

We obtained written confirmation from Verizon's legal representative that Verizon Avenue Corp. ("VAC") is a Delaware corporation. VAC has one share of common stock issued and outstanding, which is owned by Verizon Investments, Inc. Management indicated that VAC reports to the management of Verizon Services Corp., which in turn reports to the management of Verizon.

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We obtained written confirmation from Verizon's legal representative that the separate Advanced Services division is comprised of personnel who interface with Verizon's wholesale organization to procure certain components used to provide Advanced Services, such as line sharing. The personnel (excluding contractors) of the separate Advanced Services division are employed by VADI, Verizon Services Corp., VSG, Verizon Corporate Services Group Inc., Verizon Advanced Data Services Inc., and certain ILECs. The separate Advanced Services division is not a legal entity and, therefore, has no legal structure or ownership. Management also indicated that the separate Advanced Services division reports to Verizon Services Organization Inc., which reports to Verizon Services Corp., which reports to Verizon.

4. We obtained the Competitive Local Exchange Carrier ("CLEC") guidelines from Verizon management, which describes the interfaces, processes, and procedures used by the separate Advanced Services division within the ILECs and by the Separate Data Affiliates, for pre-ordering, ordering, provisioning, and repair and maintenance of Advanced Services. We inquired of Verizon management and management indicated that the Advanced Services division within the ILECs uses the same interfaces, processes and procedures as those used by the CLECs, which are contained in the CLEC guidelines for pre-ordering, ordering, provisioning and repair and maintenance of Advanced Services. The CLEC guidelines are located at the following websites:

<http://www22.verizon.com/wholesale/clecsupport/region/1,16830,East-,00.html>
<http://www22.verizon.com/wholesale/clecsupport/region/1,16830,West-,00.html>
http://www22.verizon.com/wholesale/local/order/wsg_lo_prctdiagram/1,19414-,00.html
<http://www22.verizon.com/wholesale/local/order/preorderprocess/1,20966-,00.html>

At <http://www22.verizon.com/wholesale/clecsupport/>, perform the following procedures:

- Click on "Verizon East Customer Support"
- Click on "Customer Documentation"
- Click on "CLEC handbook"; and
- Click on "click here for Volume III Table of Contents."

At <http://www22.verizon.com/wholesale/business/>, perform the following procedures:

- click on Local "Provisioning"; and
- click on "Provisioning Coordination (West)."

We confirmed with Verizon management that the same interfaces, processes and procedures were made available to unaffiliated providers of Advanced Services. Refer to the websites stated above for guidelines.

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We inquired of Verizon management whether the separate Advanced Services office/division “waits in line” for collocation space similar to unaffiliated carriers. Verizon management indicated that the separate Advanced Services division is part of the ILECs and, therefore, does not collocate with itself. The ILECs reserve space for their future use, as needed, on terms no more favorable than with unaffiliated carriers. According to Verizon management, the ILECs and unaffiliated carriers both have “first-come-first served” rights to obtain such space.

5. We inquired of Verizon management about the functions performed and information provided to process either retail or wholesale customer orders for Advanced Services through the separate Advanced Services division.

Verizon management indicated that the functions performed by the separate Advanced Services division relating to the processing of customer orders for Advanced Services are (i) the receipt of information necessary to process either retail or wholesale customer orders for Advanced Services and (ii) placing of such orders with the ILECs through interfaces made available to CLECs for line sharing and other facilities and services. The ILEC business units that receive Advanced Services orders from customers are as follows:

- Enterprise Solutions Group;
- Business Solutions Group; and
- Consumer Sales Service Center.

The separate Advanced Services division provides the following customer information in connection with an order to the ILEC business units:

- Customer name and address;
- Service requested;
- Requested or tentative installation date;
- Customer or contact name;
- Customer location access information; and
- Billing telephone number.

According to Verizon management, in addition to the processing of customer orders, the only other function performed by the separate Advanced Services division, with respect to wholesale Advanced Services components obtained from the ILECs, is placing maintenance and repair orders with the ILECs, with respect to orders for Advanced Services.

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The other customer information, concerning a maintenance and repair order, provided by the separate Advanced Services office/division to the ILEC business units is as follows:

- Reporting telephone number;
- Cleared time;
- Trouble found; and
- Remarks, if required.

The ILEC business units that receive the above information are as follows:

- Enterprise Solutions Group;
 - Business Solutions Group; and
 - Consumer Sales Service Center.
6. We obtained from Verizon a schedule indicating the total number of Advanced Services pre-order inquiries and the total number of Advanced Services facilities' orders submitted to the ILECs by Verizon's retail operations within the ILECs, the separate Advanced Services divisions, and the Separate Data affiliates, by state. We obtained from Verizon a schedule indicating the total number of pre-order inquiries and facilities' orders that were submitted using the interfaces available to CLECs. According to the schedules, the total number of Advanced Services pre-order inquiries and facilities' orders represent 100% of the total number of pre-order inquiries and facilities' orders for each of the Verizon retail operations within the ILECs, separate Advanced Services divisions, and Separate Data Affiliates.
7. We inquired of Verizon management as to which Operation, Installation, and Maintenance (OI&M) services were made available to unaffiliated Advanced Services providers and whether the ILECs continue to make those OI&M available.

According to Verizon management, the following OI&M services were made available to unaffiliated Advanced Services providers pursuant to the Merger Conditions prior to September 26, 2001 and the ILECs continue to make available such OI&M services:

- Installation of Advanced Services equipment, as described in Merger Condition I, Paragraph 4(a)(5);
- Connection of Advanced Services equipment located in collocation space with telecommunications services or network elements, as described in Merger Condition I, Paragraph 4(a)(6) and 4(g)(1);

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- Testing of an Advanced Services circuit after the network components and telecommunications services utilized to provision the service have been connected, as described in Merger Condition I, Paragraph 4(g)(2); and
 - Repair and maintenance of Advanced Services equipment located in virtual collocation space, as described in Merger Condition I, Paragraph 4(k).
8. We inquired of Verizon management as to which OI&M services, at the customer premises, were provided by the ILECs. Those services were provided at the customer's retail operations in each Verizon state, with respect to the offering of Advanced Services.

Verizon management indicated that these OI&M services are inside wiring, Consumer Premises Equipment (CPE) installation and configuration. In addition, the foregoing OI&M services were made available to unaffiliated providers of Advanced Services.

Appendix B

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Definition of Terms

For the purposes of this agreed-upon procedures engagement, the following terms are defined:

1. **Separate Data Affiliate(s)** – Verizon Advanced Data Inc.; Verizon Advanced Data – Virginia Inc.; Verizon Select Services Inc.; Verizon Select Services – Virginia Inc.; Verizon Global Networks Inc.; NYNEX Long Distance Company d/b/a Verizon Enterprise Solutions; and Verizon Avenue Corp.

For the period January 1, 2004 through June 30, 2004, all of the procedures listed in Appendix A were applied to the following Separate Data Affiliates: Verizon Advanced Data Inc.; Verizon Advanced Data – Virginia Inc.; and Verizon Avenue Corp. The management of these Separate Data Affiliates provided management representation letters to Mitchell & Titus, LLP pursuant to the Separate Data Affiliate (“SDA”) work program.

No procedures were applied to the following Separate Data Affiliates: Verizon Select Services Inc.; Verizon Select Services – Virginia Inc.; Global Networks Inc.; and Verizon Enterprise Solutions, except that the management of these Separate Data Affiliates provided management representation letters to Mitchell & Titus, LLP pursuant to the SDA work program.

2. **ILECs (“Incumbent Local Exchange Carriers”)** – Verizon Delaware Inc.; Verizon Washington D.C. Inc.; Verizon Maryland Inc.; Verizon New Jersey Inc.; Verizon Pennsylvania Inc.; Verizon Virginia Inc.; Verizon West Virginia Inc.; Verizon New York Inc.; Verizon New England Inc.; Verizon California Inc.; Verizon Florida Inc.; Verizon Hawaii Inc.; Verizon North Inc.; Verizon Northwest Inc.; Verizon South, Inc.; GTE Southwest Incorporated d/b/a Verizon Southwest; Contel of the South, Inc. d/b/a Verizon Mid-States, Verizon West Coast Inc.; and any successor or assign of such company that provides wireline telephone exchange service and that is an affiliate of Verizon.

Note: The term ILECs does not include GTE Alaska Incorporated, GTE Minnesota, Inc. and GTE Arkansas Incorporated, which have been sold or are pending sale.

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3. **Bell Atlantic/GTE Service Area**, as used in the Merger Conditions, does not include those states and service areas where Bell Atlantic/GTE will not have incumbent local telephone operations after Merger Closing Date and after execution of planned sales of local exchange properties.

Specifically, the Bell Atlantic GTE Service Area does not include any local exchange properties in the states of Arkansas and New Mexico.

4. **Advanced Services** means intrastate or interstate wireline telecommunications services, such as ADSL, IDSL, xDSL, Frame Relay, and asynchronous transfer mode (ATM) that rely on packetized technology and have the capability of supporting transmissions speeds of at least 56 kilobits per second in both directions. This definition of advanced services does not include (1) data services that are not primarily based on packetized technology, such as ISDN, as well as comparable dial-up services such as Internet Protocol Routing Service and CyberPOP, (2) x.25-based and x.75-based packet technologies, or (3) circuit switched services (such as circuit switched voice grade service) regardless of the technology, protocols or speeds used for the transmission of such services. Notwithstanding the other provisions of Merger Condition I, Verizon retains the right to invest in any technology or asset as long as it is not used to provide Advanced Services.